

CITY OF LAS VEGAS DOWNTOWN REDEVELOPMENT AGENCY PROJECT INFORMATION CHECKLIST

The City of Las Vegas Downtown Redevelopment Agency has been established by the Las Vegas City Council to assist businesses and developers interested in projects aimed at revitalizing property within the Redevelopment Area.

In an effort to encourage continuity in the redevelopment of Downtown Las Vegas, a Downtown Redevelopment Plan has been prepared by the Agency.

Developers seeking assistance from the Redevelopment Agency should demonstrate how their project complements the Redevelopment Plan. If monetary assistance is requested, there must be **PROOF** that no other reasonable means of financing is obtainable.

It should also be noted that projects receiving Redevelopment Agency funding are subject to the payment of prevailing wages as determined by the Nevada State Labor Commission on all labor involved in the construction of the project. Developers who receive Redevelopment funds must also submit an Employment Plan.

In order for the Agency to effectively analyze conformance to these criteria, materials should be submitted in the following order:

A. DESCRIPTION OF THE DEVELOPMENT TO INCLUDE:

1. Nature of business
2. Length of operation
3. Type of organization (i.e., corporation, partnership, joint venture or other)
4. If the entity which is to undertake the development has been, or will be, specially formed to carry out the proposed development project, and represents a subsidiary or joint venture, specify the guarantee relationships that will exist between its sponsors, or participants, particularly as they related to guarantees of performance.

B. HISTORY OF DEVELOPMENT ENTITY WITH DEMONSTRATED ABILITY TO DEVELOP COMPARABLE PROJECTS WITH EMPHASIS ON:

1. Quality of architectural and landscape design (attach photos)
2. Project and property management
3. Retaining projects as investments
4. Individuals name, and phone number as the project manager for each project listed above

C. RESUMES FOR ALL PRINCIPALS AND KEY INDIVIDUALS IN THE DEVELOPMENT ENTITY

Resumes should summarize the professional experience of each person, including total time with firm, present responsibilities, and a description of their experience prior to joining this firm.

D. ORGANIZATIONAL STRUCTURE OF THE DEVELOPMENT ENTITY INCLUDING THE DELINEATION OF LINES OF RESPONSIBILITY

Indicate the name and phone number of the representative authorized to act on behalf of the development entity, and the name and phone number of the project manager.

E. NARRATIVE DESCRIPTION OF PROJECT, TO INCLUDE:

1. Development concept
2. Targeted market segments
3. Time line for project by use
4. Number of square feet to be constructed
5. Estimated number of jobs to be created
6. Name of entity who will operate the facility and their demonstrated ability to manage similar facilities.
7. Type and amount of Agency assistance being requested.

F. SCHEMATIC DRAWINGS OF A CONCEPTUAL SITE PLAN INCLUDING:

1. Building footprint layouts
2. Building elevations
3. Parking areas
4. Landscaped areas
5. Internal circulation systems
6. Access points

G. DESCRIPTION OF HOW YOU INTEND TO GAIN CONTROL OR OWNERSHIP OF THE PROPERTY REQUIRED FOR THE PROPOSED DEVELOPMENT. IF AGENCY ASSISTANCE WILL BE REQUIRED FOR ACQUISITION, IDENTIFY THE PARCEL AND ITS ESTIMATED COST.

H. A BREAKDOWN OF THE SOURCES AND USES OF FUNDS FOR THE CONSTRUCTION OF THE PROJECT.

The sources of funds must include borrowed funds as well as equity. If equity is in the form of contributed assets previously acquired (real property, etc.), please specify. The uses of funds must include a breakdown of the various costs including land. If Redevelopment funds in excess of \$100,000 are to be used, NRS 279.500 states that the prevailing wage rate as determined by the Labor Commissioner of the State of Nevada must be paid on all construction. This must be factored into the estimated costs of construction.

I. A PRO-FORMA PROFIT AND LOSS STATEMENT FOR THE PROJECT COVERING AT LEAST FIVE YEARS OR THROUGH THE YEAR IN WHICH THE PROJECT WILL BE SOLD (UP TO TEN YEARS).

J. CURRENT FINANCIAL STATEMENTS INCLUDING A BALANCE SHEET AND PROFIT AND LOSS STATEMENT WITH EXPLANATIONS REGARDING THE VALUATION OF ASSETS AND RECOGNITION OF REVENUES AND EXPENSES. CORRESPONDING TAX RETURNS SHOULD ALSO ACCOMPANY THE FINANCIAL STATEMENTS.

K. IDENTIFICATION OF CURRENT BANKING RELATIONSHIPS AND MAJOR CREDIT REFERENCES. THIS INFORMATION SHOULD ALSO APPLY TO GUARANTORS.

L. NAME, ADDRESS AND PHONE NUMBER OF THOSE COMPANIES WHICH HAVE ISSUED PERFORMANCE BONDS ON PREVIOUS PROJECT.

M. IF REDEVELOPMENT FUNDS ARE REQUESTED, DEMONSTRATE WHY THEY ARE NECESSARY. DEMONSTRATION MAY BE IN THE FORM OF A DESIRED INTERNAL RATE OF RETURN (IRR), OR JUSTIFIED EXCESSIVE COSTS OF DEVELOPMENT IN THE REDEVELOPMENT AREA, ETC. THERE MUST ALSO BE EVIDENCE PROVIDED THAT NO OTHER REASONABLE MEANS OF FINANCING IS AVAILABLE.

- N. **EXPLANATION OF HOW THE PROJECT COMPLIES WITH THE OBJECTIVES OF THE REDEVELOPMENT AGENCY PLAN.**
- O. **DESCRIPTION OF HOW YOU INTEND TO ADHERE TO THE EMPLOYMENT PLAN AS PER THE ATTACHED.**

The Agency is aware of the sensitive nature concerning financial statements and their contents. If the developer prefers this information to remain confidential, please so note on the front or cover page.

The Redevelopment Agency staff is responsible only for the analysis of the information which is submitted.

The final approval of any Agency assistance is at the complete and sole discretion of the City Council acting as the Redevelopment Agency Board.

Finally, the Agency has attached a hypothetical response to this checklist which may offer a suggested format to assist the applicant.

SAMPLE

RESPONSE TO AGENCY PROJECT CHECKLIST

In conjunction with the efforts of the City of Las Vegas Downtown Redevelopment Agency to improve the Redevelopment Area, O&B, Inc. intends to construct a 70,000 square foot office building in the Downtown Las Vegas Area. Included herein is the requested information as per the Project Information Checklist.

- A. O&B, Inc. is a development company specializing in the development of office and medical buildings.

The Company was originally established in Chicago, Illinois in 1960 as a partnership of Dale Olsen and Leonard Brown.

In 1985, the Company moved to Pahrump, Nevada and incorporated at that time. The ownership consists of Dale Olsen, President (60%) and Leonard Brown, Secretary/Treasurer (40%).

The entity undertaking the development will be a yet unnamed partnership consisting of Olsen and Brown. O&B, Inc. will guarantee performance for the completion of the project.

- B. The company originally entered the development market by constructing a series of retail strip centers. The company met early success and with additional strength, made the decision to explore the office building market. At the time this decision was made, the growth which was being experienced in the Southwestern states made a transition possible. Some of the company's projects are located in the Southwest so the subsequent relocation was a step designed to increase profitability and cut costs. A list of the significant projects completed in the last ten years is as follows (see attached company brochure for additional background information):

1. Bradley Medical Center – A 45,000 square foot medical building in Tumbleweed, New Mexico (photos attached). The company retained ownership since its completion in 1981 and has proven to be a profitable project. Currently, this project is 95% leased with most leases having terms of 20 years including renewal options. The project manager is Ray Johnson who can be reached at (222) 222-2222.

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2. Marie Avenue Tower – A 90,000 square foot office building located in Gotham City, Arizona. After the building reached 85% leased capacity (18 months), the building was sold to Option 2 Enterprises, Inc. The project manager was Leonard Brown who can be reached at (444) 444-4444.
 3. St. James Office Building – A 115,000 square foot, seven-story office building in Downtown Dustbowl, Texas. The building was 30% preleased by a major oil company. The project was sold to Sweat Equities Insurance Company upon completion.
- C. The Company is divided into two major parts.
1. The Operations Division is headed by Mr. Olsen. This Division is responsible for business development and all phases of property acquisition and construction.
 2. The Administration Division is headed by Mr. Brown and is responsible for property management, customer relations, and all phases of accounting and bookkeeping.
 3. Both Mr. Olsen and Mr. Brown may be reached at (444) 444-4444.
- D. Project Details
1. The proposed project will be a 70,000 square foot, three-story office building located at 123 Z Street.
 2. Due to its proximity to the County and Federal offices, this office building will be marketed primarily to those companies which have a continuous need for access to those facilities such as title companies and attorneys.
 3. Time for construction is estimated to be between 16 and 18 months (see attached schedule).
 4. There will be approximately 70,000 square feet of office space and 175 parking spaces.

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5. Job creation is estimated to be 500. Those jobs will be primarily professional and clerical.
6. The entity who will operate the facility will be essentially O&B, Inc. under the partnership name. It is the intent of the developer to retain ownership of the project for a maximum of five years then to divest itself at that point.
7. Due to the fact that the present ownership of the site is fragmented (ten parcels total), the company is requesting both financial and eminent domain (if necessary) assistance from the Redevelopment Agency in the acquisition of two small parcels. Eight of the properties have been purchased; however, the remaining two owners have refused to negotiate at any price.

One of the parcels is a small grocery store which is owned by a California real estate company for possible development in the future. The other is owned by a family trust and the members of the beneficiary are divided on whether or not to sell. Appraised values of the parcels are \$150,000 and \$96,000 respectively. O&B is requesting Agency financial participation in the amount of \$246,000 to acquire these two parcels.

- E. See attached schematics
- F. See item E above.
- G. The uses and sources of funds will be as follows:

Uses:

Land	\$1,800,000
Construction	5,600,000
A & E fees	<u>200,000</u>
Total	\$7,600,000

Sources:

Bank	\$5,600,000
Equity	1,754,000
Agency	<u>246,000</u>
Total	\$7,600,000

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The company has acquired the eight parcels of property for \$1,554,000 and will pay for the architectural and engineering fees of \$200,000. This comprises the developer's equity contribution.

- H. The five year pro-forma is based on a monthly rental rate of \$1.25 per square foot with an annual adjustment for CPA (estimated at 5%). Estimated vacancy factor predicated on 30% preleased space and forecasted absorption rates, was 20% in year one, 15% in year two, 10% in year three, and 7% in years four and five. The company also intends to sell the building at the end of year five. In order to realize a 20% internal rate of return (IRR), the project would have to sell for \$9,000,000. It is the desire of the anchor tenant (30%) to purchase the building at the end of year five for \$9,000,000.

FIVE (5) YEAR PROFIT AND LOSS PRO-FORMA (IN THOUSANDS)

	<u>Y1</u>	<u>Y2</u>	<u>Y3</u>	<u>Y4</u>	<u>Y5</u>
Revenues	1050	1103	1158	1216	1277
Less Vacancy	<u>210</u>	<u>165</u>	<u>116</u>	<u>85</u>	<u>90</u>
Gross Profit	840	938	1042	1131	1187
Operating Expense	168	173	182	187	193
Interest Expense	<u>504</u>	<u>500</u>	<u>496</u>	<u>492</u>	<u>487</u>
Net Operating Inc.	168	265	364	452	507
Gain on Sale of Assets					1400
Income Taxes	<u>57</u>	<u>90</u>	<u>124</u>	<u>154</u>	<u>648</u>
Net Income	111	175	240	298	1259
Sale of Asset					7600
Debt Service (Prin.)	<u>41</u>	<u>45</u>	<u>49</u>	<u>53</u>	<u>5412</u>
Net Cash Flow	70	130	191	245	3447

- I. See attached financial statements and tax returns.
- J. Current bank – The Better Bank of Pahrump. Loan Officer is George Redd. Phone number: 111-1111.
1. Other major references:
- a. ABC Commercial Finance, Pahrump, Nevada
Ron Buttars – 333-3333

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b. DEF Savings & Loan Co., Pahrump, Nevada
Beth Thomas – 555-5555

- K. Previous bonding has been obtained through Roberts Fidelity and Guarantee, Karen Roberts – 777-7777.
- L. It is the goal of the developer to obtain at least a 20% IRR on the investment. Without the assistance of the Agency, the maximum IRR would be 16.7%. The projections indicating this yield have been based on the local prevailing rates, both with respect to rental rates and expenses per square foot.

Due to the fact that the project is located in the Redevelopment Area, costs of construction are higher than any other portions of the Las Vegas Valley. This is directly a result of the restriction regarding the prevailing wage rate. It is also important to have the assistance of the Agency for the purposes of acquiring the property. The lending practices of the The Better Bank of Pahrump have prohibited lending amounts greater than 74% loan to value. With the equity contribution of \$1,754,000 a \$246,000 deficiency in the financing has been created. Subsequent investigation of five other lenders' policies have shown similar loan to value restrictions.

- M. In accordance with the Downtown Las Vegas study by Laventhol and Horwath, the project supports compliance with the goals and objectives of the development plan in the following ways:
1. Contributes to the critical mass of office land use.
 2. Is strategically located to promote new investment nearby. The building will produce a need for various support services nearby like restaurants, office supply stores, copying services, etc.
 3. The present site is occupied by several old and dilapidated buildings which are an eyesore to the downtown. The new building will provide vastly improved and necessary aesthetics.
 4. Creates a stronger relationship between the office core and Las Vegas Boulevard.

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- N. The project described falls into the category described as "speculative building." In accordance with the guidelines regarding the Employment Plan, we will distribute bid packages to the appropriate minority owned companies which are included on the list supplied by the Agency staff; and should one of these contractors submit the lowest acceptable bid, then the job shall be awarded to that contractor.

This informational package has been submitted for your thorough review and consideration. It is the concern of O&B, Inc. that all of the Agency's questions be answered to their satisfaction. As such, please feel free to contact myself or Leonard Brown for any further information at your convenience. Our phone number is (444) 444-4444.

Sincerely,

Dale Olsen
President